



Continuity in an
uncertain world



AMLIN

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The world has rarely felt less certain, nor has commercial activity seemed so full of risk.

Amlin is a leading independent insurer operating in the London and Bermuda markets. We specialise in providing insurance cover to commercial enterprises, addressing many of their risk management needs. We also provide reinsurance protection to other insurance companies around the world.

We have a diverse portfolio of risk and employ specialist underwriters with expertise in some 31 different business classes. Our insurance operations are organised into five businesses:

Aviation

Marine

Non-Marine & Reinsurance

UK Commercial

Amlin Bermuda

We continually seek the means of improving our offering to brokers and clients and are at the forefront of significant change in the London market.

Amlin delivers another strong result

Annualised first half return on equity, at 24.2%, above 20% for fourth consecutive year

Profit before tax of £120.1 million (H1 2005 restated: £138.4 million)

H1 yield on investments of only **1.5%** (H1 2005: 2.9%)

£45.5 million adverse effect of foreign exchange translation on net non-monetary liabilities relative to 2005

Underlying underwriting performance stronger

Gross premiums written up **25%** to **£846.2 million** (H1 2005: £675.8 million)

London underwriting profit up **7.5%** at **£101.5 million** (H1 2005: £94.4 million)

Solid start to Amlin Bermuda with underwriting profit of **£23.6 million**

Catastrophe exposures successfully reshaped

Interim dividend increased 5% to 4.2p per share (H1 2005: 4p per share)

Positive outlook for full year and 2007

Earned premiums expected to be skewed to second half more than in recent years

Net unearned premium reserve up **19%** to **£779 million** (at 30 June 2005: £653 million)

Average renewal rate increase to 31 July of **8.6%**

	Six months 2006	Six months 2005 (restated)	12 months 2005 (restated)
	£m	£m	£m
Financial highlights			
Gross premiums written ¹	846.2	675.8	993.5
Net premiums written ¹	766.5	556.5	829.3
Earned premiums ¹	481.8	395.5	822.1
Profit before tax	120.1	138.4	186.7
Per share amounts			
Operating profit	22.3p	34.4p	44.9p
Earnings	17.9p	25.2p	34.3p
Net assets	153.5p	135.2p	148.7p
Net tangible assets	141.1p	118.7p	136.2p
Group operating ratios²			
Claims ratio	49%	44%	57%
Expense ratio	30%	25%	25%
Combined ratio	79%	69%	82%
Amlin Bermuda Ltd combined ratio	49%	–	–
Syndicate 2001 combined ratio	84%	69%	82%

¹ excluding premiums associated with the reinsurance to close of our increased share of capacity

² the combined ratios include Syndicate 2001 as if the Group owned 100% of capacity in all years

Performance indicators

Gross premiums written

(Excluding premium revenue from the receipt of reinsurance to close) £m

2003	937.4
2004 H1	709.7
2004	945.6
2005 H1	675.8
2005	993.5
2006 H1	846.2

Net earned premium

(Excluding premium revenue from the receipt of reinsurance to close) £m

2003	701.1
2004 H1	345.6
2004	722.4
2005 H1	395.5
2005	822.1
2006 H1	481.8

Combined ratio

% ■ Claims ■ Expenses

2003	50	36
2004 H1	42	30
2004	50	32
2005 H1	44	25
2005	57	25
2006 H1	49	30

Return on equity

%

2003	26.4
2004 H1	15.6
2004	21.0
2005 H1	22.1
2005	29.6
2006 H1	12.1

Dividend (declared basis)

Pence

2003	2.5
2004 H1	3.0
2004	8.0
2005 H1	4.0
2005	10.2
2006 H1	4.2

Net assets per share

Pence

2003	98.7
2004 H1	112.3
2004	114.9
2005 H1	135.2
2005	148.7
2006 H1	153.5

Net unearned premium reserve

£m

2003	422.8
2004 H1	648.3
2004	492.4
2005 H1	653.3
2005	499.6
2006 H1	779.4

Senior underwriter turnover

%

2003	0.00
2004 H1	4.34
2004	4.34
2005 H1	2.27
2005	4.55
2006 H1	0.00

Interim Results Statement

We have had yet another excellent first half. In addition to delivering a very solid set of results, our exposures to catastrophe risk have been successfully repositioned to take account of the significant changes to risk appraisal and reinsurance markets following last year's hurricane season. With this, and a very promising start for Amlin Bermuda, we believe that we remain well placed to continue to deliver strong returns for our shareholders.

Our first half pre-tax profit of £120.1 million (H1 2005 as restated: £138.4 million) is pleasing when taking account of an adverse £45.5 million change in the foreign exchange translation of net non-monetary liabilities relative to 2005¹. Six month return on equity was 12.1% increasing our weighted average annual return on equity since 2001 to 19.7%.

Amlin Bermuda, in its first trading period, made a strong contribution recording a profit before tax of £36.8 million.

The underlying result is analysed as follows:

Table 1: Analysis of result

	Profit before tax		Underwriting contribution	
	H1 2006	H1 2005	H1 2006	H1 2005
	£m	£m	£m	£m
As reported	120.1	138.4	101.8	116.6
IFRS translation adjustment	23.3	(22.2)	23.3	(22.2)
Underlying result	143.4	116.2	125.1	94.4

The underlying underwriting contribution was strong with our London operations delivering a return of £101.5 million and Amlin Bermuda a return of £23.6 million. This results from a healthy increase in premium income earned, coupled with a benign period for catastrophe events.

Aggregate premium income written grew by 25%. Gross earned premium growth was lower at 13% reflecting the natural lag in recognition of earned premium as the portfolio grows. Net premium earned increased by 22% (excluding the premium for reinsurance to close the remainder of Syndicate 2001 from third parties). This

reflects our strategy of purchasing less reinsurance protection for our own London reinsurance account and currently writing Amlin Bermuda's business without any reinsurance protection.

The contribution from investments was marginally down at £37.7 million (H1 2005: £41.3 million). Average investment balances increased to £2.3 billion for the period (H1 2005: £1.6 billion) but weak bond markets and a lower, albeit satisfactory, return from our equity portfolio led to the reduction.

Whilst earnings per share, at 17.9p (H1 2005 restated: 25.2p) were lower than in the first half of 2005, we expect earned premium to be more weighted to the second half than in prior years owing to the start up of Amlin Bermuda and the other factors highlighted under Outlook below.

Dividend

The Board has declared an interim dividend of 4.2 pence per share (H1 2005: 4.0 pence per share). This will be paid on 20 October 2006 to shareholders on the register at the close of business on 29 September 2006. A dividend reinvestment plan, details of which may be obtained from the Company's registrar or from the Company's website, is available to shareholders in respect of this dividend.

Trading conditions

For the first time for a number of years trading conditions by class have diverged. During the first half of 2006 catastrophe exposed classes have experienced a pricing reappraisal with rate rises being most significant where available reinsurance capacity is scarce. However, in less catastrophe exposed lines, for example UK commercial classes and airlines, we have seen continued pricing pressure as good profits in recent years have led to more intense competition. Our rating indices (Table 2) illustrates this divergence whilst confirming the continued acceptable level of rates in most areas.

¹ The exchange difference on net non-monetary liabilities arises through translation of unearned premium reserves, deferred reinsurance expenditure and deferred acquisition costs at average historical rates, whereas all other related monetary balance sheet items are translated at the closing rate of exchange.

Table 2: Rating indices for major classes (based on renewal)

Class	2000	2001	2002	2003	2004	2005	2006
US catastrophe reinsurance	100	115	146	150	143	144	195
Non US catastrophe reinsurance	100	120	157	162	146	131	139
US large property insurance	100	125	180	166	143	136	176
Fleet motor	100	121	136	142	140	136	136
Per risk property reinsurance	100	122	190	192	171	145	163
Energy	100	140	172	189	170	176	282
US casualty	100	123	172	215	232	237	235
Professional indemnity	100	110	149	178	180	164	146
Marine hull	100	115	148	171	183	188	190
War	100	250	288	244	220	206	195
Airline hull and liabilities	100	296	278	234	215	191	163
Employers' liability	100	115	144	158	159	144	136

Overall the renewal rate increase to the end of July for Syndicate 2001 was 8.6% with 79% of the 2005 account being retained. Given that both Amlin Bermuda's and Syndicate 2001's new business has been concentrated in areas where rate increases have been the strongest, our expected underwriting margins will have grown by more than the renewal rate increase.

The reappraisal of catastrophe exposed risk, whether through revised models used by reinsurers to assess possible claims costs from catastrophe events or through changes to business strategy driven by increased capital needed to support an 'A' financial strength rating, has had a far reaching effect on catastrophe lines and the speed of change has accelerated through the year. The level of re-pricing at the 1 January renewal season for property catastrophe reinsurance and property insurance was modest, especially so for non-US risk. However, when it became clear that the retrocessional reinsurance market (reinsurance of reinsurance) had shrunk, or was demanding huge rate increases, the pricing climate hardened. The effect on pricing has been pronounced in the United States where demand has outstripped available capacity. International catastrophe risk has seen lower rate rises but upward pressure on rates is increasing.

We are positioned well to take advantage of these market conditions. With Amlin Bermuda commencing trading on 1 December 2005, property reinsurance is expected to make up 39% of our portfolio for 2006 (2005: 34%). Importantly, this growth has been controlled with risk management continuing to be a key area of focus for the business and reflecting our desire to maintain a well diversified exposure to underwriting risk.

Underwriting performance

Underwriting contribution, after removing the effect of exchange translation differences on non monetary liabilities, increased by £30.7 million to £125.1 million. The contributions of Syndicate 2001 and Amlin Bermuda were respectively £101.5 million and £23.6 million. The combined ratio, on a similar basis, was 75% (H1 2005: 74%). Net earned premium (excluding the premiums associated with the reinsurance to close of our increased share of capacity) rose by 22% to £481.8 million (H1 2005: £395.5 million). This growth is attributable to both an increase in business written by the Group and lower reinsurance expenditure.

Premium income

Gross premium written increased by 25% to £846.2 million with growth concentrated in the property, energy and reinsurance accounts in London, and the successful start up of Amlin Bermuda. Gross premium written reduced most in our UK commercial account as retention rates fell in the face of more intense pricing competition.

In its first six months of trading, Amlin Bermuda wrote £161.8 million of business, of which £78.1 million was new to the Group. We are pleased with the quality of business being written by Amlin Bermuda and while income to date is somewhat lower than the original plan, it still represents an excellent start for the company. Most of the shortfall arose at the beginning of the year, as the company received its financial strength ratings a little too late to take full advantage of the 1 January renewal season. Additionally, competition for international catastrophe business early in the year made it initially more difficult to satisfactorily build that part of

the account. As explained below, Amlin Bermuda's risk appetite was also reduced to help compensate for greater catastrophe risk being carried by Syndicate 2001.

Outwards reinsurance

Reinsurance expenditure as a proportion of gross written premium has fallen to 9.4% from 17.7% for the same period last year. This reflects Amlin Bermuda writing business without reinsurance protection and reduced expenditure for the London business.

Claims

The claims environment over the last six months has been favourable with no major natural catastrophes impacting the Group. However, we have experienced a higher frequency of larger risk losses on the marine, property and aviation accounts in this period, underscoring in part the exceptionally low level of losses that we have seen in recent years.

The prior year run off profit in the period was £26 million (H1 2005: £30 million). Looking forward, our reserving policy remains unchanged and we would expect to continue seeing a positive contribution from our prior period reserves if normal development is experienced.

We have continued to receive notifications and updates from our clients relating to last year's hurricanes.

We have been able to make a small release from our overall reserves and still consider that the reserves held are robust.

Overall, the claims ratio was again very creditable, at 49% (2005 H1: 44%).

Expenses

Business acquisition costs were similar to the same period in 2005, at approximately 18% of gross earned premium.

The increase in other operating expenses is attributable to the movement in exchange rates on the value of net non monetary liabilities. We have made savings in Lloyd's and some other costs which have offset the additional expenses of Amlin Bermuda.

Segmental commentary

The following commentary and Table 3 (overleaf) is provided on the basis that Amlin owned all of Syndicate 2001's capacity for all relevant underwriting years so that

changes in ownership do not distort the performance. In addition, the commentary is after removing the effect of the foreign exchange translation of non monetary liabilities to allow focus on the business trends.

Non-marine (51% of net earned premium in period)

Our London non-marine combined ratio at 67% (H1 2005: 69%) is another excellent first half result. Net earned premium has increased by 15% reflecting growth in the property and property reinsurance accounts into strengthening market conditions.

The claims ratio reflects the benign environment for catastrophe losses in the first half. The fall in the expense ratio largely reflects a shift towards reinsurance which carries lower brokerage costs.

Amlin Bermuda (10% of net earned premium in period)

Amlin Bermuda's combined ratio of 49% is a very solid start. With 97% of its direct/non-group income being derived from property reinsurance it is not surprising that it has benefited from the benign claims environment noted above.

The company has made excellent strides towards its strategic aim of building a diverse reinsurance portfolio similar to the high quality account of Syndicate 2001.

Marine (17% of net earned premium in period)

The marine division's combined ratio has increased to 91% (H1 2005: 73%). The claims ratio has increased to 56% from 42% reflecting higher than average specie claims during the period.

Gross premium written has increased by 33%, with growth concentrated in the energy account where income has been increased by 91% in the first six months while exposures to modelled losses have successfully been reduced. Net earned premium has increased by only 20%, however, as higher reinsurance costs have been expensed faster than this new premium is earned. This effect will unwind over time.

The expense ratio has also increased due to growth in classes that carry higher brokerage costs including energy and yacht.

Table 3: Divisional combined ratios

	Non-marine	Marine	UK commercial	Aviation	Amlin Bermuda	Total
Net premiums earned (£m)	246.7	83.5	79.0	29.8	45.9	484.9

Combined ratios before removing the effect of foreign exchange translation of non monetary liabilities

Claims ratio	40%	57%	63%	84%	37%	49%
Expense ratio	33%	40%	24%	42%	12%	30%
Combined ratio H1 2006	73%	97%	87%	126%	49%	79%
Combined ratio H1 2005	62%	68%	79%	80%	–	69%

Combined ratios after removing the effect of foreign exchange translation of non monetary liabilities

Claims ratio	39%	56%	62%	81%	37%	48%
Expense ratio	28%	35%	24%	35%	12%	27%
Combined ratio H1 2006	67%	91%	86%	116%	49%	75%
Combined ratio H1 2005	69%	73%	79%	90%	–	74%

UK commercial (16% of net earned premium in period)

The UK commercial combined ratio of 86% (H1 2005: 79%) is another good result. The claims ratio remains healthy at 62% despite increasingly competitive market conditions in commercial motor and liability classes and has been helped by a continuing good run off of prior years.

The expense ratio increase reflects lower levels of gross written and net earned premium, down 8.7% and 3.2% respectively, and a change in mix of business away from motor to liability business which has higher brokerage rates.

Aviation (6% of net earned premium in period)

The aviation result is disappointing with a combined ratio of 116% (H1 2005: 90%). Written and earned income are relatively stable but well down from the highs in 2001 and 2002. The airline account continues to be under pressure but the other aviation classes continue to attract rate increases.

The swing in the result reflects the continued shrinkage of the higher margin but more volatile airline account in the face of increased competition coupled with a series of small to medium sized airline losses. On a small income base where pricing has become less attractive, frequency of claims can quickly turn a good combined ratio to negative. However, we continue to believe that our strategy of reducing exposures and becoming more selective is correct in these conditions.

Reinsurance and exposure management strategy

A major focus during the period, as a consequence of the enormously changing reinsurance markets, has been our decision to reshape our exposures to help ensure that we continue to generate acceptable returns while managing appropriately the downside risk of major catastrophes.

Historically Amlin has bought significant levels of reinsurance to reduce the volatility of the underwriting result, and to manage the risk of severe events weakening the Group's financial strength.

We were able to renew our reinsurance programmes for direct insurance accounts (for example property, marine, aviation and UK commercial) in a similar manner to the previous year, albeit at an increased total cost. However, we considered the pricing and levels at which we were offered both retrocessional cover, (to protect our Syndicate reinsurance account), and umbrella cover, (a whole account protection that has sat above all of our insurance and reinsurance protections), to be uneconomic. We have therefore bought significantly less of these types of reinsurance and decided to reduce our gross catastrophe exposures in Syndicate 2001. By managing down these exposures we believe that the risk return equation is better for Amlin, particularly taking account of the significantly improved pricing for inwards catastrophe business.

Interim Results Statement (continued)

In Syndicate 2001, much of this reduction in exposure has focused on the reinsurance account by reducing or non renewing lines. Also, in the early part of the year Amlin Bermuda, which initially had little exposure of its own, was able to offer Syndicate 2001 retrocessional cover so as to contain the net exposure of the London business to acceptable levels. The cost of this protection was \$12 million and has all expired without loss – effectively delivering a cost saving to the Group as a whole.

With no umbrella protection, we have also actively managed down our property and energy exposures. To illustrate this: by 1 July 2006 the gross loss for our modelled Gulf of Mexico Syndicate realistic disaster scenario had been reduced by 27% and 40% for our direct property insurance and energy portfolios respectively when compared to scenarios as at 1 January 2006.

Recognising the additional volatility being borne by Syndicate 2001, and with Amlin Bermuda writing a quota share of the syndicate, Amlin Bermuda also reduced its risk appetite by \$50 million to \$200 million for a single zone and \$250 million for multi zone perils.

Having implemented the above changes, we believe we have satisfactorily reduced the Group's gross exposures such that the Group is within its risk appetite for the US windstorm season. All of our current modelled single zone event scenario net losses are under £225 million, with the highest modelled event loss being a potential Japanese earthquake. For multi zone scenarios our highest modelled event loss, being a \$65 billion US northeast windstorm, has been successfully managed down to approximately £330 million. Set against this we have saved approximately \$70 million of reinsurance cost compared to 2005.

Finally, maintaining our underwriting diversity, by class and within classes, continues to provide a cushion to the catastrophe exposure.

Investment return

Investments contributed £37.7 million to the first half result (H1 2005: £41.3 million). Overall the investment base rose with average investments amounting to £2.3 billion for the first half compared to £1.6 billion in the same period last year. However, the reduction in return reflects lower contributions from the bond and equity portfolios compared to 2005.

Much of the increase in the investment base arises out of the capitalisation of Amlin Bermuda late last year through new equity and debt issues. The Bermuda assets amount to \$1 billion and are invested against US dollar benchmarks. In the first six months these assets were invested in cash funds and returned 2.3%, a good return when compared to US dollar bonds.

The Syndicate's policyholders' funds, amounting to average funds of £1.3 billion for the period (H1 2005: £1.2 billion), were invested in short dated bonds. However, the continued increases in interest rates by the Federal Reserve in the United States as well as concerns over inflation and nervousness over rate rises in the United Kingdom, resulted in a poor period for bonds with our sterling return amounting to only 0.8% (H1 2005: 3.4%) and US dollar returns of only 0.3% (H1 2005: 1.2%).

The London corporate funds have continued to be invested in equities and cash for much of the first half although part of the cash balance has now been invested in short dated sterling bonds. The cash funds returned 2.3% (H1 2005: 2.4%).

Table 4: H1 2006 investment mix and returns

	Average balances in H1				
	Syndicate £m	Corporate £m	Total £m	Total %	Investment return %
Property	5.9	–	5.9	0.2%	-1.3%
Equities	–	129.3	129.3	5.7%	6.4%
Debt securities	1,144.7	103.0	1,247.7	54.7%	0.5%
Cash and cash equivalents	133.7	764.9	898.6	39.4%	2.3%
	1,284.3	997.2	2,281.5	100.0%	1.5%

The equity portfolio produced a good return of 6.4% (H1 2005: 10.3%) in more challenging markets, with our equity manager outperforming their benchmark by 7.4%. Performance through the first half year in equity markets was volatile, with a stronger than expected first quarter and disappointing second quarter. We took advantage of better first quarter performance to purchase an equity put option, which expires on 29 December 2006, for approximately 20% of the portfolio at its then value.

Taxation

The effective rate of tax for the period is 21.0% (H1 2005 27.7%). The low effective rate is due to a combination of factors.

First, Amlin Bermuda operates locally with no corporation tax. As we believe the company meets the requirements to be exempt from controlled foreign company status in the UK, no current tax is provided. Deferred tax has been provided to take account of tax that will become due on distribution of profits from Bermuda. Secondly we have again utilised brought forward unprovided capital losses to offset capital gains from the equity portfolio.

Balance sheet strength and flexibility

The Group's balance sheet has continued to be strengthened.

Cash flow within the Group has been healthy and we were pleased to see the release of £196 million from our Syndicate trust funds through the new quicker Lloyd's distribution system.

In April, Amlin issued its first public debt placement raising £230 million of subordinated debt in the UK market and opening up access to another source of long term capital. The subordinated debt provides the Group with better quality debt capital. It is long term, repayable after 20 years with a call date after 10 years. Historically we have had to renegotiate our bank facilities at least every two years. Additionally, it is unsecured, contains no financial covenants which could lead to early repayment and is eligible as capital under FSA rules.

The purpose of the debt issue was to refinance part of the short term debt of £243 million that was raised in November 2005 to initially finance Amlin Bermuda. This has all now been repaid out of free cash flow or the proceeds of our long term debt issue.

The changes to the debt structure are reflected in the increase in financing costs from £3.5 million to £12.4 million for the first half. Historically Amlin has used letters of credit to finance part of its Lloyd's capital. Only the commission charges were recognised as finance costs because no cash was received by Amlin. With the subordinated debt, Amlin's cash and investments are increased and we benefit from the investment return on the monies raised.

Our internal modelling confirms the strength of our current capital position with the total debt to capital ratio now standing at 26% (31 December 2005: 36%), an acceptable position at this point in the cycle. We would expect that this ratio will decline as we move through the cycle such that the financial risk is reduced when margins on the underwriting business are lower.

Another area of focus in the first six months has been the effective management of the Group's reinsurance assets, which were materially increased following the hurricane events of last year. To date we have collected \$265 million from reinsurers out of \$306 million that has fallen due in respect of last year's hurricanes. This leaves a further \$330 million to collect once we have paid the underlying claims. The quality of the overall outstanding reinsurance recoveries remains good with 97% from reinsurers with an Insurance Financial Strength Rating of A- or better.

During the period we recorded an exchange loss of £42 million through consolidated reserves on the retranslation of Amlin's Bermudian companies. With Amlin Bermuda writing predominantly dollar denominated risk and it being the Company's start-up year, we have not hedged its balance sheet.

Operational improvements

We set out in our 2005 annual report a number of initiatives for 2006 that would move us closer to our vision of Amlin in 2009. A number of these initiatives were focused on effecting operational change within the business. They included increasing our electronic trading capability and claims services to ensure that Amlin's team are operating with the best systems and Amlin's clients are receiving top quality service.

During 2006 to date we have made big strides in delivering these ambitions. This has included a range of projects where we have worked with a number of other

Lloyd's agents, collectively known in the market as 'G6', to act as a catalyst for change. This recognises that, as we operate as part of a subscription market, only solutions that work for the majority will benefit our clients.

We are now in a position where we can trade and transfer information electronically with two of our main broking partners and expect that other brokers will quickly follow. This should help to increase speed of placement, enhance service to our clients and make the whole process more efficient.

We have continued to enhance our London Market claims offering through enhancing skills and systems. Again, this will improve our service and will make the claims process more efficient for us and brokers.

Outlook

Our outlook for the full year remains good. We recognise that the windstorm seasons in the Atlantic and Pacific are still to pass but rating conditions have adjusted to reflect an increased frequency and severity of storms.

We expect net earned premium to be more skewed to the second half of 2006 than in recent years. This is due to the growth in gross premium written generated in the first six months, with rate increases accelerating through the period. Therefore, as we earn premium income through the whole policy period, the impact of this growth in the period on earned premium is more muted than for written premium. This effect will unwind through the year, particularly as the renewal dates for the classes of business in which we are growing most are concentrated in the first half of the year. Also, with less reinsurance purchased in London and none in Bermuda, the growth in gross earned premium will feed more directly into the results.

Indeed, net unearned premium at 30 June 2006 has increased to £779 million; a £126 million or 19% increase on that at the same date last year. As has become a feature of our results we expect to continue to generate run-off profits from our prudently set reserves as long as we experience normal, or better than normal, claims development.

We would normally expect that the investment side of the business should generate a bigger contribution than we have reported in the first half of 2006. As noted above the bond market was particularly testing in the period but we began the second half of the year with higher yields. In

addition, our cash and investment balances remain strong and are 2.8 times the size of our equity shareholders' funds.

In line with our strategy we have grown income most in lines where conditions have been strongest, such as catastrophe reinsurance and energy insurance, and have contracted where weakening conditions are resulting in more questionable margins, such as our UK commercial classes and airlines. While our growth in income this year has been in some of our more volatile accounts, our overall exposures have been managed to contain our downside catastrophe risk within acceptable limits. We also expect to grow the attritional content of our catastrophe exposed accounts when conditions are supportive of growth.

We anticipate that catastrophe exposed risk will remain well priced into 2007, and most probably beyond. The extent of severe events and fresh capital into this part of the industry going forward will be major determinants of actual conditions. In other areas we anticipate that there will be a gradual softening of rates but are hopeful that there will not be a slide and that some areas, such as UK commercial motor insurance, may take a positive turn before too long.

With market conditions diverging between business lines, we expect the value of our diversity to be realised once again through our ability to allocate capital between lines with a view to optimising the relationship between our risk and expected return. We continue to look to the future confident of our ability to deliver our target returns.

Condensed Consolidated Income Statement For the six months ended 30 June 2006

		Six months 2006	Six months 2005 (restated)	12 months 2005 (restated)
	Notes	£m	£m	£m
Gross premiums earned	4	533.6	471.2	986.7
Insurance premium revenue from the receipt of reinsurance to close	4	78.8	78.6	78.6
Reinsurance premium ceded	4	(51.8)	(75.7)	(164.6)
Net earned premium revenue	4	560.6	474.1	900.7
Investment return	5	37.7	41.3	90.9
Other operating income		1.0	1.1	1.4
Net income		599.3	516.5	993.0
Insurance claims and loss adjustment expenses	6	(271.4)	(231.0)	(912.1)
Insurance claims and loss adjustment expenses relating to the receipt of reinsurance to close	6	(78.8)	(78.6)	(78.6)
Insurance claims and loss adjustment expenses recovered from reinsurers	6	37.1	54.5	436.4
Net insurance claims	6	(313.1)	(255.1)	(554.3)
Expenses for the acquisition of insurance contracts	7	(97.4)	(83.6)	(170.2)
Other operating expenses	8	(56.3)	(35.9)	(71.4)
Expenses		(153.7)	(119.5)	(241.6)
Results of operating activities		132.5	141.9	197.1
Finance costs		(12.4)	(3.5)	(10.4)
Profit before tax		120.1	138.4	186.7
Tax	9	(25.2)	(38.4)	(46.5)
Profit for the period attributable to equity shareholders	2	94.9	100.0	140.2
Earnings per share				
Basic	11	17.9p	25.2p	34.3p
Diluted	11	17.7p	24.8p	33.7p

Condensed Consolidated Statement of Changes in Equity For the six months ended 30 June 2006

	Notes	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total £m
At 1 January 2006		132.5	344.0	51.0	265.1	792.6
IAS19 Employee benefits prior period adjustment	2	–	–	–	(7.8)	(7.8)
At 1 January 2006 (restated)		132.5	344.0	51.0	257.3	784.8
Gains on revaluation of employee share ownership trust recognised directly in equity		–	–	1.3	–	1.3
Currency translation differences on overseas operations		–	–	(42.1)	–	(42.1)
Deferred tax		–	–	(0.2)	–	(0.2)
Profit for the financial period		–	–	–	94.9	94.9
Total recognised income for the period		–	–	(41.0)	94.9	53.9
Employee share option schemes:						
– share based payment reserve		–	–	–	0.5	0.5
– proceeds from shares issued		0.8	2.1	–	–	2.9
Dividends paid	10	–	–	–	(25.0)	(25.0)
		0.8	2.1	–	(24.5)	(21.6)
At 30 June 2006		133.3	346.1	10.0	327.7	817.1

	Notes	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total £m
At 1 January 2005		98.8	154.2	43.5	163.3	459.8
IAS19 Employee benefits prior period adjustment	2	–	–	–	(10.6)	(10.6)
At 1 January 2005 (restated)		98.8	154.2	43.5	152.7	449.2
Gains on revaluation of employee share ownership trust recognised directly in equity		–	–	1.2	–	1.2
Profit for the financial period (restated)	2	–	–	–	100.0	100.0
Total recognised income for the period		–	–	1.2	100.0	101.2
Employee share option schemes:						
– share based payment reserve		–	–	0.3	–	0.3
– proceeds from shares issued		1.4	6.0	–	–	7.4
Dividends paid	10	–	–	–	(19.7)	(19.7)
		1.4	6.0	0.3	(19.7)	(12.0)
At 30 June 2005 (restated)		100.2	160.2	45.0	233.0	538.4

Condensed Consolidated Statement of Changes in Equity For the six months ended 30 June 2006 (continued)

	Notes	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total £m
At 1 January 2005		98.8	154.2	43.5	163.3	459.8
IAS19 Employee benefits prior period adjustment	2	–	–	–	(10.6)	(10.6)
At 1 January 2005 (restated)		98.8	154.2	43.5	152.7	449.2
Gains on revaluation of employee share ownership trust recognised directly in equity		–	–	1.3	–	1.3
Currency translation differences on overseas operations		–	–	3.8	–	3.8
Deferred tax		–	–	1.7	–	1.7
Profit for the financial year (restated)	2	–	–	–	140.2	140.2
Total recognised income for the year		–	–	6.8	140.2	147.0
Rights issue proceeds, net of issue costs		31.9	182.8	–	–	214.7
Employee share option schemes:						
– share based payment reserve		–	–	0.7	–	0.7
– proceeds from shares issued		1.8	7.0	–	–	8.8
Dividends paid	10	–	–	–	(35.6)	(35.6)
		33.7	189.8	0.7	(35.6)	188.6
At 31 December 2005 (restated)		132.5	344.0	51.0	257.3	784.8

Condensed Consolidated Balance Sheet At 30 June 2006

		30 June	30 June	31 December
		2006	2005	2005
		£m	(restated)	(restated)
Assets	Notes		£m	£m
Cash and cash equivalents		31.8	35.7	65.6
Financial investments at fair value through income	12	2,247.0	1,526.7	2,078.2
Reinsurance assets				
– reinsurers' share of outstanding claims	13	448.8	297.9	604.6
– reinsurers' share of unearned premiums	13	53.4	68.5	24.2
– debtors arising from reinsurance operations	13	415.3	329.7	387.3
Loans and receivables, including insurance receivables				
– insurance receivables		372.6	311.3	214.3
– loans and receivables		78.1	66.9	132.9
Current income tax assets		1.5	8.9	3.7
Deferred tax assets	14	20.1	21.0	24.4
Property and equipment		6.5	5.5	6.0
Intangible assets	15	66.0	66.0	66.0
Total assets		3,741.1	2,738.1	3,607.2
Equity				
Share capital	16	133.3	100.2	132.5
Share premium account		346.1	160.2	344.0
Other reserves		9.2	46.3	51.3
Treasury shares		0.8	(1.3)	(0.3)
Retained earnings		327.7	233.0	257.3
Total shareholders' equity	2	817.1	538.4	784.8
Liabilities				
Insurance contracts				
– outstanding claims	13	1,552.1	1,194.0	1,704.3
– unearned premiums	13	832.8	721.8	523.8
– creditors arising from insurance operations	13	47.5	32.5	114.8
Trade and other payables		50.0	59.6	67.1
Current income tax liabilities		28.3	13.6	19.6
Financial liabilities – borrowings	17	330.4	67.6	298.2
Retirement benefit obligations		7.9	12.3	12.4
Deferred tax liabilities	14	75.0	98.3	82.2
Total liabilities		2,924.0	2,199.7	2,822.4
Total liabilities and shareholders' equity		3,741.1	2,738.1	3,607.2

Condensed Consolidated Cash Flow Statement For the six months ended 30 June 2006

		Six months 2005 (restated)	12 months 2005 (restated)
	Notes	2006 £m	£m
Cash generated from operations	18	(104.7)	(474.2)
Cash flows from investing activities			
Interest received		53.3	65.3
Dividends received		2.7	2.0
Acquisition of subsidiary, net of cash acquired		–	(0.2)
Purchase of property, plant and equipment		(1.9)	(1.9)
Net cash used in investing activities		54.1	65.2
Cash flows from financing activities			
Proceeds from issue of ordinary shares		2.9	223.5
Proceeds from borrowings		227.7	266.1
Repayment of borrowings		(188.8)	(32.0)
Dividends paid to shareholders		(25.0)	(30.6)
Net cash from financing activities		16.8	427.0
Net increase in cash and cash equivalents		(33.8)	18.0
Cash and cash equivalents at beginning of period		65.6	47.6
Cash and cash equivalents at end of period		31.8	65.6

Notes to the Interim Financial Statements

1 Basis of preparation of Condensed Interim Financial Statements

The interim financial statements have been prepared in accordance with the Listing Rules of the Financial Services Authority (FSA) and International Financial Reporting Standards, (IFRS).

The financial information for the year ended 31 December 2005 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was not qualified and did not contain statements under section 237(2) or (3) of the Companies Act 1985.

2 Accounting policies

The accounting policies adopted in preparing these interim financial statements are those that the Group expects to apply for the year ending 31 December 2006. They are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2005 with the exception of IAS19, Employee Benefits (IAS19) as detailed below.

IAS19, Employee Benefits: change in accounting policy and prior period adjustment

The Group participates in a number of pension schemes, full details of which are provided in the Group's financial statements for the year ended 31 December 2005. One of the schemes in which the Group participates, the Lloyd's Superannuation Fund (the Fund), is a defined benefit scheme which is classified as a multi-employer scheme under the criteria set out in IAS19. As such, the Group recognises its pension costs for this scheme as if it were a defined contribution scheme. Historically, the implication of this has been that the Group did not report the assets and liabilities of the fund in its own balance sheet, but did charge contributions made to the fund in the period in which they were made.

In December 2004 an amendment was introduced to IAS19 that requires full provision to be made for the net present value of any future contractual contributions into a multi-employer pension scheme. This amendment is now mandatory and has been fully adopted by the Group. In 2004, Amlin agreed with the Fund's trustee a schedule of annual payments into the Fund commencing in 2004 and concluding in 2009. Previously, these payments were being expensed as they were paid and were not provided for in advance. However, in accordance with the requirements of the amendment to IAS19, a prior period adjustment has been made to the net assets at 1 January 2005, 30 June 2005 and 31 December 2005 and the reported profit for the six months to 30 June 2005 and the year ended 31 December 2005.

The effects of the restatement on the condensed consolidated income statement and balance sheet are detailed below:

	Six months 2006	Six months 2005	12 months 2005
	£m	£m	£m
Reported profit for the period under previous accounting policy after tax	91.4	96.9	137.4
Payments made included within other operating expenses	4.6	4.6	4.6
Movement in discount on present value of future payments	0.2	(0.3)	(0.5)
Movement in deferred tax	(1.3)	(1.2)	(1.3)
Restated profit for the period under new accounting policy after tax	94.9	100.0	140.2

	30 June 2005	31 December 2005
	£m	£m
Net assets as reported	545.9	792.6
Increase in retirement benefit liabilities	(10.8)	(11.1)
Increase in associated deferred tax asset	3.3	3.3
Restated net assets	538.4	784.8

Notes to the Interim Financial Statements (continued)

3 Segmental reporting

The tables below show segmental information by business segment. Business segments are primary segments and represent the way in which the business is managed. The London market business segments comprise aviation, non-marine, marine and UK commercial business. Amlin Bermuda Limited writes reinsurance business, including reinsurance ceded by Syndicate 2001. Further information on the performance of each segment is provided in the statement accompanying this interim report.

Income and expenses by business segment					Amlin				Total
	Aviation	Non-marine	Marine	UK commercial	London total	Bermuda Ltd	Intra group	Other technical	
Six months ended 30 June 2006	£m	£m	£m	£m	£m	£m	£m	£m	£m
Gross premiums written	42.4	475.0	161.0	89.8	768.2	161.8	(83.7)	(0.1)	846.2
Gross premiums earned	45.1	281.0	97.3	87.4	510.8	45.9	(23.0)	(0.1)	533.6
Reinsurance premiums ceded	(15.3)	(34.3)	(13.8)	(8.4)	(71.8)	–	20.0	–	(51.8)
Net premiums earned	29.8	246.7	83.5	79.0	439.0	45.9	(3.0)	(0.1)	481.8
Insurance claims and loss adjusting expenses	(36.9)	(99.0)	(76.0)	(52.5)	(264.4)	(16.9)	10.2	(0.3)	(271.4)
Reinsurance recoveries	12.1	0.9	28.7	3.2	44.9	–	(8.0)	0.2	37.1
Underwriting expenses	(12.6)	(82.2)	(33.4)	(19.0)	(147.2)	(5.4)	0.8	6.1	(145.7)
Profit attributable to underwriting	(7.6)	66.4	2.8	10.7	72.3	23.6	–	5.9	101.8
Investment return					24.5	13.2			37.7
Personal expenses (1)	(1.1)	(5.9)	(1.5)	(1.9)	(10.4)	–	10.4	–	–
Other non-underwriting expenses (2)									(7.0)
Financing costs (2)									(12.4)
Profit before taxation									120.1
Combined ratio	126%	73%	97%	87%	84%	49%			79%

Income and expenses by business segment					Amlin				Total
	Aviation	Non-marine	Marine	UK commercial	London total	Bermuda Ltd	Intra group	Other technical	
Six months ended 30 June 2005	£m	£m	£m	£m	£m	£m	£m	£m	£m
Gross premiums written	42.4	413.4	120.7	98.4	674.9	–	–	0.9	675.8
Gross premiums earned	44.1	259.6	76.7	89.9	470.3	–	–	0.9	471.2
Reinsurance premiums ceded	(15.0)	(44.7)	(7.4)	(8.3)	(75.4)	–	–	(0.3)	(75.7)
Net premiums earned	29.1	214.9	69.3	81.6	394.9	–	–	0.6	395.5
Insurance claims and loss adjusting expenses	(19.8)	(121.5)	(34.1)	(55.7)	(231.1)	–	–	0.1	(231.0)
Reinsurance recoveries	4.2	36.3	5.1	8.9	54.5	–	–	–	54.5
Underwriting expenses	(7.6)	(55.2)	(20.8)	(17.9)	(101.5)	–	–	(0.9)	(102.4)
Profit attributable to underwriting	5.9	74.5	19.5	16.9	116.8	–	–	(0.2)	116.6
Investment return					41.3				41.3
Personal expenses (1)	(1.3)	(9.6)	(2.3)	(1.9)	(15.1)	–	15.1	–	–
Other non-underwriting expenses (2)									(16.0)
Financing costs (2)									(3.5)
Profit before taxation									138.4
Combined ratio (3)	80%	62%	68%	79%	69%				69%

Income and expenses by business segment					London	Amlin Bermuda	Intra group	Other technical	Total £m
	Aviation	Non- marine	UK com- mercial	Marine	total	Ltd	group	technical	
Year ended 31 December 2005	£m	£m	£m	£m	£m	£m	£m	£m	£m
Gross premiums written	83.0	558.0	172.8	175.5	989.3	2.9	(0.3)	1.6	993.5
Gross premiums earned	93.0	546.6	164.7	181.1	985.4	0.1	(0.3)	1.5	986.7
Reinsurance premiums ceded	(23.6)	(100.6)	(25.9)	(14.2)	(164.3)	–	–	(0.3)	(164.6)
Net premiums earned	69.4	446.0	138.8	166.9	821.1	0.1	(0.3)	1.2	822.1
Insurance claims and loss adjusting expenses	(50.1)	(651.2)	(105.7)	(105.0)	(912.0)	–	(2.7)	2.6	(912.1)
Reinsurance recoveries	15.1	347.0	55.3	19.1	436.5	–	–	(0.1)	436.4
Underwriting expenses	(14.4)	(113.6)	(40.8)	(37.6)	(206.4)	(0.1)	(1.0)	(1.8)	(209.3)
Profit attributable to underwriting	20.0	28.2	47.6	43.4	139.2	–	(4.0)	1.9	137.1
Investment return					90.9	–			90.9
Personal expenses (1)	(3.9)	(24.9)	(4.2)	(5.0)	(38.0)	–	38.0	–	–
Other non-underwriting expenses (2)									(30.9)
Financing costs (2)									(10.4)
Profit before taxation									186.7
Combined ratio (3)	70%	93%	63%	72%	82%	–			82%

- (1) Personal expenses allocated to segments represent fees and commissions payable to Amlin Underwriting Limited.
- (2) Other non-underwriting expenses and financing costs are incurred in support of the entire business of the Group and cannot be allocated to particular segments.
- (3) The combined ratios are calculated assuming a constant 100% ownership over the period from which premiums have been earned.

4 Net earned premium

	Six months 2006 £m	Six months 2005 £m	12 months 2005 £m
Insurance contracts premiums			
Gross premiums written	846.2	675.8	993.5
Change in unearned premium provision	(312.6)	(204.6)	(6.8)
Gross premiums earned	533.6	471.2	986.7
Insurance premium revenue from the receipt of reinsurance to close	78.8	78.6	78.6
Reinsurance premiums ceded			
Reinsurance premiums payable	(79.8)	(119.3)	(164.2)
Change in unearned reinsurance premium provision	28.0	43.6	(0.4)
	(51.8)	(75.7)	(164.6)
Net earned premiums	560.6	474.1	900.7

The insurance premium revenue from the receipt of reinsurance to close at 30 June 2006 represents the premium received from the third party syndicate members on the 2003 year of account (30 June 2005 and 31 December 2005: 2002 year of account) who sold the remainder of their capacity to Amlin, for use by Amlin's corporate members for the following year of account. An identical amount is recorded as a movement in claims, representing the additional liabilities taken on by Amlin from the third party members. Overall these transactions have no impact on profit for the year.

Notes to the Interim Financial Statements (continued)

5 Investment return

	Six months 2006 £m	Six months 2005 £m	12 months 2005 £m
Investment income			
– dividend income	2.7	1.5	2.1
– interest income	51.1	23.7	66.6
Cash and cash equivalents interest income	2.2	7.3	2.5
	56.0	32.5	71.2
Net realised (losses)/gains on financial assets			
– equity securities	8.6	6.0	12.2
– debt securities	(14.2)	(1.3)	(6.0)
	(5.6)	4.7	6.2
Net fair value (losses)/gains on assets at fair value through income statement			
– equity securities	(0.1)	1.6	12.5
– debt securities	(12.6)	2.5	1.0
	(12.7)	4.1	13.5
Total	37.7	41.3	90.9

Included within net fair value gains on equity securities is an amount of £0.3m being the net profit to date from the purchase of an equity put option. The option was taken out in the second quarter of 2006 to protect the Group's equity investments against falls in market value. The cost of this option was £1m.

6 Insurance claims and loss adjustment expenses

	Six months 2006 £m	Six months 2005 £m	12 months 2005 £m
Gross			
Current year insurance claims and loss adjustment expenses	288.4	261.0	991.6
Reduced costs for prior period insurance claims	(17.0)	(30.0)	(79.5)
	271.4	231.0	912.1
Insurance claims and loss adjustment expenses relating to the receipt of reinsurance to close	78.8	78.6	78.6
Reinsurance			
Current year insurance claims and loss adjustment expenses recoverable from reinsurers	(28.1)	(54.5)	(436.2)
Reduced costs for prior period claims recoverable from reinsurers	(9.0)	–	(0.2)
	(37.1)	(54.5)	(436.4)
Total net insurance claims and loss adjustment expenses	313.1	255.1	554.3

7 Expenses for the acquisition of insurance contracts

	Six months 2006 £m	Six months 2005 £m	12 months 2005 £m
Expenses for the acquisition of insurance contracts	162.0	146.5	173.4
Changes in deferred expenses for the acquisition of insurance contracts	(64.6)	(62.9)	(3.2)
	97.4	83.6	170.2

8 Other operating expenses

	Six months 2006 £m	Six months 2005 (restated) £m	12 months 2005 (restated) £m
Foreign exchange losses/(gains) on non-monetary assets	19.7	(17.7)	(25.8)
Other foreign exchange (gains)/losses	(8.0)	1.1	(6.1)
	11.7	(16.6)	(31.9)
Administrative and other expenses	44.6	52.5	103.3
	56.3	35.9	71.4

9 Tax

	Six months 2006 £m	Six months 2005 (restated) £m	12 months 2005 (restated) £m
Current tax			
– UK corporation tax	28.3	6.8	34.3
– Foreign tax	0.1	0.2	(1.6)
	28.4	7.0	32.7
Current year deferred tax			
– movement in asset	4.0	5.6	4.1
– movement in liability	(7.2)	25.8	9.7
	(3.2)	31.4	13.8
	25.2	38.4	46.5

10 Dividends

The amounts recognised as distributions to equity holders are as follows:

	Six months 2006 £m	Six months 2005 £m	12 months 2005 £m
Final dividend for the year ended:			
– 31 December 2005 of 6.2 pence per ordinary share	25.0	–	–
– 31 December 2004 of 5.0 pence per ordinary share	–	19.7	19.7
Interim dividend for the year ended:			
– 31 December 2005 of 4.0 pence per ordinary share	–	–	15.9
	25.0	19.7	35.6

The interim dividend of 4.2p per ordinary share for 2006, amounting to £22.4 million, was approved by the Board on 1 September 2006 and has not been included as a liability as at 30 June 2006.

Notes to the Interim Financial Statements (continued)

11 Earnings per share

Earnings per share are based on the profit attributable to shareholders and the weighted average number of shares in issue during the period. Shares held by the Employee Share Ownership Trust ('ESOT') are excluded from the weighted average number of shares.

Basic and diluted earnings per share are as follows:

	Six months	Six months	12 months
	2006	2005	2005
		(restated)	(restated)
Profit for the period	£94.9m	£100.0m	£140.2m
Weighted average number of shares in issue	530.8m	396.3m	408.8m
Dilutive shares	7.5m	6.0m	6.6m
Adjusted average number of shares in issue	538.3m	402.3m	415.4m
Basic earnings per share	17.9p	25.2p	34.3p
Diluted earnings per share	17.7p	24.8p	33.7p

Basic and tangible net assets per share are as follows:

	30 June	30 June	31 December
	2006	2005	2005
		(restated)	(restated)
Net assets	£817.1m	£538.4m	£784.8m
Adjustments for intangible assets	£(66.0m)	£(66.0m)	£(66.0m)
Tangible net assets	£751.0m	£472.4m	£718.8m
Number of shares in issue at end of period	533.0m	400.6m	530.1m
Adjustment for ESOT shares	(0.8m)	(2.5m)	(2.2m)
Basic number of shares after ESOT adjustment	532.2m	398.1m	527.9m
Net assets per share	153.5p	135.2p	148.7p
Tangible net assets per share	141.1p	118.7p	136.2p

12 Financial investments

	At valuation 30 June 2006 £m	At valuation 30 June 2005 £m	At valuation 31 December 2005 £m
Shares and other variable yield securities	185.3	89.0	116.2
Debt and other fixed income securities	1,214.8	799.4	1,142.1
Participation in investment pools	783.5	429.5	703.8
Deposits with credit institutions	2.5	157.2	62.3
Overseas deposits	59.1	48.3	51.9
Other	1.8	3.3	1.9
	2,247.0	1,526.7	2,078.2
In Group owned companies	1,082.4	453.8	920.7
In Syndicate 2001	1,159.0	1,066.7	1,151.7
In non-aligned syndicates	5.6	6.2	5.8
	2,247.0	1,526.7	2,078.2
Listed investments included in Group owned total are as follows:			
Shares and other variable yield securities	171.0	89.0	116.2
Debt and other fixed income securities	171.2	109.8	104.1
	342.2	198.8	220.3

All financial investments are recognised at fair value, with all gains and losses, realised and unrealised, recorded through the income statement. Fixed maturity and equity securities are classified as trading assets as the Group buys with the intention to resell.

Using Standard & Poor's and Moody's as rating sources, the credit ratings of the Group's debt and other fixed income securities is set out below:

	30 June 2006 £m	30 June 2005 £m	31 December 2005 £m
Credit rating			
AAA/Aaa	1,015.9	499.7	870.5
AA/Aa	79.6	129.2	134.8
A	89.1	142.7	120.1
BBB/Baa	25.0	22.4	16.7
	1,209.6	794.0	1,142.1
Non-aligned syndicates	5.2	5.4	–
	1,214.8	799.4	1,142.1

Notes to the Interim Financial Statements (continued)

13 Insurance contracts and reinsurance assets

	Claims reserves £m	Unearned premium reserves £m	Other insurance assets and liabilities £m	Total £m
Insurance liabilities				
At 1 January 2005	1,098.7	517.3	46.0	1,662.0
Movement in period	50.4	204.5	(15.3)	239.6
Exchange adjustments	44.9	–	1.8	46.7
At 30 June 2005	1,194.0	721.8	32.5	1,948.3
Movement in period	475.1	(198.0)	80.9	358.0
Exchange adjustments	35.2	–	1.4	36.6
At 31 December 2005	1,704.3	523.8	114.8	2,342.9
Movement in period	(77.1)	309.0	(61.6)	170.3
Exchange adjustments	(75.1)	–	(5.7)	(80.8)
At 30 June 2006	1,552.1	832.8	47.5	2,432.4
Reinsurance assets				
At 1 January 2005	318.6	24.9	261.3	604.8
Movement in period	(35.4)	43.6	56.8	65.0
Exchange adjustments	14.7	–	11.6	26.3
At 30 June 2005	297.9	68.5	329.7	696.1
Movement in period	297.4	(44.3)	50.0	303.1
Exchange adjustments	9.3	–	7.6	16.9
At 31 December 2005	604.6	24.2	387.3	1,016.1
Movement in period	(125.4)	29.2	47.5	(48.7)
Exchange adjustments	(30.4)	–	(19.5)	(49.9)
At 30 June 2006	448.8	53.4	415.3	917.5

The claims reserves are further analysed between notified outstanding claims and incurred but not reported claims below:

	30 June 2006	30 June 2005	31 December 2005
	£m	£m	£m
Notified outstanding claims	960.2	709.9	1,121.8
Claims incurred but not reported	591.9	484.1	582.5
Insurance contracts claims reserve	1,552.1	1,194.0	1,704.3

14 Deferred tax

The deferred tax asset is attributable to timing differences arising on the following:

	Provisions for losses	Other provisions	Capital losses	Pensions provisions	Other timing differences	Total
	£m	£m	£m	£m	£m	£m
At 1 January 2006 (restated)	1.2	7.8	5.7	3.3	6.4	24.4
Movements in the period	–	(1.8)	(1.3)	(1.3)	0.4	(4.0)
Movement through equity in the period	–	–	–	–	(0.3)	(0.3)
At 30 June 2006	1.2	6.0	4.4	2.0	6.5	20.1
At 30 June 2005 (restated)	1.3	7.0	5.6	3.3	3.8	21.0

The deferred tax liability is attributable to timing differences arising on the following:

	Underwriting results	Unrealised capital gains	Syndicate capacity	Overseas earnings	Total
	£m	£m	£m	£m	£m
At 1 January 2006	73.5	5.7	3.0	–	82.2
Movements in the period	(9.6)	(1.3)	0.4	3.3	(7.2)
At 30 June 2006	63.9	4.4	3.4	3.3	75.0
At 30 June 2005	90.1	5.6	2.6	–	98.3

15 Intangible assets

	Purchased syndicate participations	Goodwill	Total
	£m	£m	£m
Net book value			
At 30 June 2006	63.2	2.8	66.0
At 30 June 2005 and 31 December 2005	63.2	2.8	66.0

16 Ordinary share capital

Authorised ordinary shares of 25p each

	Number	£m
At 30 June and 31 December 2005	562,000,000	140.5
At 30 June 2006	800,000,000	200.0

Allotted, called up and fully paid

	Number	£m
At 1 January 2006	530,113,127	132.5
Shares issued on exercise of options	2,928,361	0.8
At 30 June 2006	533,041,488	133.3

Notes to the Interim Financial Statements (continued)

17 Financial liabilities – borrowings

	30 June 2006	30 June 2005	31 December 2005
	£m	£m	£m
Bank loans falling due in less than one year	49.6	10.3	241.0
Bank loans falling due after more than one year	0.1	2.0	0.1
Subordinated bonds	280.7	55.3	57.1
	330.4	67.6	298.2

The Group's borrowings comprise three issues of subordinated debt and a debt facility arrangement with a consortium of banks.

Details of the subordinated debt issues are as follows:

Issue date	Principal amount	Reset date	Maturity date	Interest rate to reset date %	Interest rate from reset date to maturity date
23 November 2004	\$50m	November 2014	November 2019	7.11	LIBOR + 3.48
15 March 2005	\$50m	March 2015	March 2020	7.28	LIBOR + 3.32
20 April 2006	£230m	April 2016	April 2026	6.50	LIBOR + 3.48

The bonds will be redeemed on the maturity dates at the principal amounts, together with accrued interest. The Company has the option to redeem the bonds in whole, subject to certain requirements, on the reset dates or any interest payment date thereafter at the principal amount plus accrued interest.

The debt facility arrangement was entered into in November 2005 and consists of the following arrangements:

- A £170 million term loan bridge facility. The rate of interest was LIBOR plus 0.75% up to 30 June 2006 and LIBOR plus 1.0% thereafter. Only £150 million of the facility has been utilised to date and of this £100 million was repaid in June 2006, £36 million in July 2006 and the balance of £14 million was repaid in August 2006.
- A £20 million term loan. The rate of interest is LIBOR plus 1.5%, plus mandatory costs. The loan was repaid in full in April 2006.
- A \$125 million revolving credit facility. The rate of interest is LIBOR plus 1.5%, plus mandatory costs. \$105 million of the loan was repaid in April 2006 and the balance of \$20 million was repaid in June 2006.
- A £150 million letter of credit (LOC) facility. This was deposited with Lloyd's in November 2005 as part of the Group's Funds at Lloyd's (FAL) required to support underwriting on Syndicate 2001. The LOC was replaced with part of the proceeds from the issue of the subordinated debt in April 2006. Currently the facility is not being utilised but is being retained to provide additional financial strength and flexibility.

The debt facility is secured by fixed and floating charges over all of the assets of the Company and its subsidiary, Amlin Corporate Services Limited (ACS). In addition Amlin Bermuda Holdings Limited (ABH) has granted a charge over the shares it holds in Amlin Bermuda Ltd (ABL). The facility is also guaranteed by ACS, ABH and its intermediate holding company, Amlin (Overseas Holdings) Limited, and Amlin Investments Limited. The floating charge over the Company's assets ranks behind the floating charge in favour of Lloyd's.

18 Cash generated from operations

	Six months 2006 £m	Six months 2005 (restated) £m	12 months 2005 (restated) £m
Profit on ordinary activities before taxation	120.1	138.4	186.7
Net movement on Premium Trust Funds for non-aligned participations	–	(2.9)	(2.9)
Depreciation charge	1.4	1.2	2.1
Interest paid	9.9	2.7	9.2
Interest received	(53.3)	(31.0)	(65.3)
Dividends received	(2.7)	(1.5)	(2.0)
Net losses/(gains) on investments	18.3	(8.8)	(13.5)
Net purchases of financial investment	(227.7)	(185.4)	(757.7)
Increase in loans and receivables	(151.8)	(77.5)	(64.9)
Decrease/(increase) in reinsurance contract assets	98.6	(63.5)	(411.5)
Increase in insurance contract liabilities	89.7	215.2	679.2
Increase/(decrease) in trade and other payables	24.6	(14.2)	(2.7)
Increase in retirement benefits	(4.4)	(4.3)	(4.1)
	(77.3)	(31.6)	(447.4)
Income taxes paid	(17.5)	(2.7)	(17.6)
Interest paid	(9.9)	(2.7)	(9.2)
Cash generated from operations	(104.7)	(37.0)	(474.2)

The Group classifies the cash flows for the purchase and disposal of financial assets in its operating cash flows, as the purchases are funded from the cash flows associated with the origination of insurance contracts or the capital required to support underwriting, net of the cash flows for payments of insurance claims. Therefore cash generated from operations is net of £227.7 million used to purchase financial investments.

Cash flows relating to participations on syndicates not managed by the group are included only to the extent that cash is transferred between the Premium Trust Funds and the Group.

19 Contingent liabilities

Amlin is one of many insurer and broker defendants in litigation filed in the second quarter of 2006 in Federal Court in Georgia, USA, relating to the use of contingent commissions. Amlin is robustly defending the various allegations that it considers are without merit. Amlin expects the litigation to persist for at least 12 months. Amlin consider that their financial exposure will be limited to defence fees only. Given the nature of complex federal litigation in the US, it is not possible at this time to provide a precise figure on the extent of those defence fees, save that they are not expected to be material.

20 Related party transactions

Reinsurance contracts between Syndicate 2001 and Amlin Bermuda Ltd

Syndicate 2001 placed a number of reinsurance contracts with Amlin Bermuda Ltd (ABL), a wholly owned subsidiary of the Group, during 2005 and 2006.

The reinsurance contracts placed with ABL are:

- eight proportional treaty reinsurance contracts for marine, direct property, special risks, specie, war, excess of loss treaty and miscellaneous classes of business;
- a whole account quota share; and
- an excess of loss reinsurance contract.

All reinsurance contracts were agreed on an arms length basis with terms that are consistent with those negotiated with third parties. These reinsurance contracts are eliminated on consolidation of the Group's results and the effects on the income statements of such eliminations can be seen in the note 3 Segmental reporting under the column "intra group".

21 Principal exchange rates

The principal exchange rates used in translating foreign currency assets, liabilities, income and expenditure in the production of these financial statements were:

	H1 2006 Average rate	At 30 June 2006	H1 2005 Average rate	At 30 June 2005	2005 Average rate	At 31 December 2005
US dollar	1.79	1.85	1.87	1.79	1.82	1.72
Canadian dollar	2.04	2.06	2.31	2.20	2.21	2.01
Euro	1.46	1.45	1.46	1.40	1.46	1.46

Independent Review Report to Amlin plc for the six months ended 30 June 2006

Independent Review Report to Amlin Plc

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2006 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statements, the consolidated statement of changes in equity and related notes 1 to 21. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2006.

Deloitte & Touche LLP

Chartered Accountants
London

1 September 2006

Shareholder Information

Shareholder information

The additional information consisting of the shareholder information and directors and advisers has been prepared from the records of the Company. Whilst it does not form part of the interim statement, it should be read in conjunction with it and with the responsibilities section of the independent review report thereon.

Financial Calendar

2006

20 October Payment of 2006 interim dividend

2007

March Announcement of results for the year ending 31 December 2006

May/June Payment of 2006 final dividend, subject to shareholder approval

Shareholders' dealings

The Company's stockbroker, Hoare Govett Limited, offers a low cost postal dealing service, which enables UK resident investors to buy or sell certificated holdings of the Company's shares in what may be a convenient manner. Basic commission is 1% of the transaction value, with a minimum charge of £15. Transactions are executed and settled by Pershing Securities Limited. Forms may be obtained from the Company Secretarial Department, Amlin plc, St Helen's, 1 Undershaft, London EC3A 8ND (Tel. 020 7746 1006) or direct from Hoare Govett Limited, 250 Bishopsgate, London EC2M 4AA (Tel 020 7678 8300). This service is not available to non-UK residents who may, however, contact Hoare Govett Limited for details of other services that may be available. Hoare Govett Limited and Pershing Securities Limited are each authorised and regulated by the Financial Services Authority.

Shareholder enquiries, register and website

Please call our Investor Relations Unit on 0207 746 1111, or, for enquiries concerning share registration, call our Registrar, Computershare Investor Services PLC, on 0870 702 0000.

Amlin's website is at www.amlin.com

Directors and Advisers

Directors

Roger Taylor (Chairman)*
Nigel Buchanan+*
Brian Carpenter
Richard Davey*
Richard Hextall (Finance Director)
Tony Holt
Roger Joslin*
Thomas Kemp*
Ramanam Mylvaganam*
Charles Philipps (Chief Executive)
Sir Mark Wrightson Bt*

+ Senior independent non-executive

* non-executive

Audit Committee

Nigel Buchanan (Chairman)
Richard Davey
Roger Joslin
Ramanam Mylvaganam

Remuneration Committee

Ramanam Mylvaganam (Chairman)
Nigel Buchanan
Sir Mark Wrightson Bt

Nomination Committee

Roger Taylor (Chairman)
Nigel Buchanan
Roger Joslin
Ramanam Mylvaganam
Charles Philipps

Secretary

Charles Pender FCIS FSI

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